



**Brighton & Hove
City Council**

**COUNCIL
ADDENDUM**

4.30PM, THURSDAY, 15 JULY 2010

COUNCIL CHAMBER, BRIGHTON TOWN HALL

ADDENDUM

ITEM	Page
10. IN-YEAR SAVINGS 2010/11	1 – 12

Report of the Director of Finance & Resources (copy attached).

Contact Officers: Mark Ireland Tel: 29-1040
 James Hengeveld Tel: 29-1242

Wards Affected: All Wards;

COUNCIL

15 July 2010

Agenda Item 10

Brighton & Hove City Council

Subject:	2010/11 In-Year Government Grant reductions		
Date of Meeting:	15th July 2010		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Mark Ireland	Tel: 29-1240
		James Hengeveld	29-1242
	E-mail:	mark.ireland@brighton-hove.gov.uk	
Key Decision:	No	Forward Plan No.	
Wards Affected:	All		

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key information from the Department of Culture, Media and Sport was not available until 6 July 2010.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Secretary of State for Communities & Local Government announced details of 2010/11 in-year grant reductions for all local authorities on 10 June. These totalled £3.55m for Brighton & Hove City Council covering both revenue and capital grants. There was a further announcement of a reduction in grant received from the Department for Culture, Olympics, Media and Sport on 17 June.
- 1.2 Cabinet on 17th June noted the details of the in-year grant reductions and agreed principles for dealing with the reductions and a timetable for decision making. This report is brought to Council in accordance with that timetable for noting and comment. At this stage it is anticipated that all decisions will be made by Cabinet on 22nd July in accordance with the Council's budget and policy framework. The comments made by Council will be taken into consideration when reaching those decisions.

2. RECOMMENDATIONS

- 2.1 To note and comment on the details of the 2010/11 in-year grants reductions announced by the government and set out in paragraphs 3.1 to 3.5 and appendices 1 to 3.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Government announcements

- 3.1 The Chancellor of the Exchequer George Osborne announced on 24 May 2010 that £6.2 billion in-year savings would be made in the national budget for 2010/11. Local Government would contribute about £1.2 billion towards the overall target through reductions in government grants although very little detail of which grants and the impacts on individual authorities was given. In order to assist local authorities make the savings additional freedoms and flexibilities were given to authorities with the removal of the ring-fence around £1.7 billion specific grants allowing grant monies to be re-allocated according to local priorities. Again no details were given about which specific grants are affected.
- 3.2 The announcement on 10 June by the Minister for Communities and Local Government Eric Pickles set out details of £1.166 billion savings in 2010/11 local authority grants:
- The reductions in Area Based Grant (ABG) for each local authority – details of the Brighton & Hove City Council grant reductions are shown in appendix 1.
 - The reductions in other specific revenue and capital grants - the Brighton & Hove City Council estimated reductions are shown in appendix 2.
 - The specific grants where the ring-fence has been removed - a list of all of these grants and the amount due in 2010/11 is shown in appendix 3.
- 3.3 The announcement is not a consultation but authorities had a deadline to respond to CLG if they believe there are any errors in the figures. The checks undertaken did not identify any errors.
- 3.4 On 17 June the Secretary of State for Culture, Olympics, Media and Sport announced that the resource funding for the governments free swimming programme would cease on 31 July 2010. Details of the actual reduction in grant were received on 6 July which confirmed a reduction of 65% (£0.125m) of the grant funding originally due for 2010/11.
- 3.5 The total reduction in 2010/11 revenue and capital grants for the City Council is approximately £3.68m or 0.3% of the national total. This reduction is less than the council's average national specific grant share of 0.5%. The figure is approximate at this stage because for some of the grant reductions outside ABG the potential impact upon the council is subject to further clarification.

Interim action taken to minimise the financial impact

- 3.6 Since the first announcement in May Officers have been preparing information on all the specific and capital grants the council receives in order to assist with the decision-making process. This analysis has been refined to reflect the detailed list of government grant reductions and the commitments entered into to date.
- 3.7 A temporary moratorium has been placed on entering into any new spending commitments on all government grant funded services and on the transport

capital programme until a revised funding package has been considered and agreed.

Roles and Responsibilities of Council and Cabinet

- 3.8 The roles and responsibilities of Council and Cabinet in relation to budget decisions are set down in legislation and relevant statutory guidance as well as the Council's own constitution. The combined effect of Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Council's Budget and Policy Framework Rules mean that:
- the responsibility for making budgetary decisions on executive functions rests with the Cabinet unless the proposed expenditure or saving is outside the budget and policy framework;
 - If a proposed expenditure or saving is outside the budget and policy framework, then the approval of full Council is needed.
- 3.9 The responsibility for formulating and suggesting budget proposals rests with the Cabinet and not the Council. This means full Council cannot, of its own motion, initiate and vote on proposals that are not submitted by Cabinet. Council can, of course, make amendments to the Cabinet proposals when they are submitted for its approval. If there is a difference of opinion the question as to whether a proposal is within the budget framework is for the Section 151 Officer to decide and if there is a question as to whether a proposal is within the policy framework, it is for the Monitoring Officer to decide.
- 3.10 At this stage it is anticipated that all decisions will be consistent with the budget and policy framework and will therefore be made by Cabinet. However it is recognised that the in-year budget reductions are of real significance to the Council and the City and therefore merit a debate at Full Council. The comments made during the debate at Council will be noted and considered by Cabinet as part of their decision making on 22 July.

Principles for dealing with the reductions

- 3.11 The following principles were agreed by Cabinet on 17th June for dealing with the grant reductions. The council's spending against specific grants is to a large extent determined at national level by the terms and conditions attached to the grants. As a result, when those grants end or reduce the council's starting assumption is that the related spending will also end or reduce since the spend is no longer considered to be a national priority. Such a decision would be consistent with the council's existing budget and policy framework.
- 3.12 Where the council wishes to replace specific grant funding that has ended, for example because there is a good economic case for doing so, then it will first seek to reprioritise other specific grant funding in a related area assuming that terms and conditions allow this. Again such a decision would be consistent with the council's existing budget and policy framework. Where the council wishes to propose reprioritising specific grant funding from an un-related area this would be a decision for Full Council.
- 3.13 Where the council wishes to incorporate activity funded by specific grants which have ceased into mainstream service provision in a related area then this decision

could be consistent with the council's existing budget and policy framework providing it is affordable within existing budget allocations.

- 3.14 It is not expected that the council will propose savings from its mainstream service provision to replace specific grant funding streams that have been reduced or ceased primarily for affordability reasons. However should this be required then this would be a decision for Full Council.
- 3.15 The above principles will have to be implemented having regard to the Council's legal obligations which are set out in more detail in the legal implications paragraph.
- 3.16 Decisions on the in-year budget savings package will be made at Cabinet on 22 July. A timetable of the key meetings and announcements is given below.

Date	
10 June	Announcement of details of in-year grant reductions by Secretary of State for Communities & Local Government Briefing note sent to all Councillors
14 June	All Party Budget Review Group discussion on government proposals
17 June	Cabinet receives report on in-year grant reductions and decides on the principles for dealing with the reductions
21 June	Leaders Group to receive an update on the implications for the council
22 June	Emergency National Budget
28 June	All Party Budget Review Group further discussion on the implications for the council and papers for Full Council meeting
8 July	Council By-Election
15 July	Full Council debates government proposals and the implications for the council
19 July	Leaders Group Circulation of final July Cabinet decision-making report on budget changes needed to match in-year grant reductions
22 July	Cabinet

- 3.17 Since the Cabinet meeting on 17th June further work has been undertaken to determine what factors would be taken into consideration when prioritising the areas for grant reductions. These include:

- the extent to which funding has already been spent or is contractually committed;
- the deliverability of specific proposals to reduce expenditure for example in terms of complexity or lead in times;
- proposing as far as possible a fair distribution of grant reductions across the council and its partners including the community and voluntary sector so that no single agency has a disproportionate impact; and

- anticipating the national policy direction and how the requirements being placed on local authorities in certain areas might be reduced.

4. CONSULTATION

- 4.1 There has been early consultation with the Trades Unions on the in-year grant reductions. Further statutory consultation will be required with staff affected and the Trades Unions once the detailed proposals are agreed. Discussions have taken place with Sussex Police, the Community & Voluntary Sector Forum and the Primary Care Trust on the potential implications for services that are jointly funded.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 These are contained in the main body of the report.

Finance Officer Consulted: James Hengeveld Date: 2 July 2010

Legal Implications:

- 5.2 The respective powers of Council and Cabinet in the decision-making process are set out in the body of the report. The details of how the in year reductions announced by the government are implemented in Brighton & Hove is a matter for the City council's discretion. In exercising its discretion, the council is required to act reasonably. This includes a requirement not to fetter its discretion by adopting rigid/inflexible rules or policies, the need to consider the particular circumstances of each service affected, the need to undertake any necessary consultation with those affected where relevant and proportionate given the practical limitation imposed by time. Above all, the council needs to show that it considered all available options with an open mind. The council should also avoid taking any action that involves a breach of its statutory duty or failure to provide services that are mandatory.

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 2 July 2010

Equalities Implications:

- 5.3 Implications will be considered in the July Cabinet report when the actual reductions will be considered.

Sustainability Implications:

- 5.4 Implications will be considered in the July Cabinet report when the actual reductions will be considered.

Crime & Disorder Implications:

- 5.5 Implications will be considered in the July Cabinet report when the actual reductions will be considered.

Risk & Opportunity Management Implications:

- 5.6 Covered in the body of the report.

Corporate / Citywide Implications:

- 5.7 Covered in the body of the report.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 6.1 Options on how to reduce spending to match the reductions in government grants will be considered in the July Cabinet report.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 In-year reductions in spending need to be made quickly to match the reduction in government grants as the scale of the reductions increase as the year progresses and there are fewer months left in which to make the savings.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1	2010/11 Area Based Grant reductions
Appendix 2	Reductions in other specific and capital grants
Appendix 3	Ring-fences removed from revenue and capital grants in 2010/11

Documents in Members' Rooms

1. None

Background Documents

1. Files held within Strategic Finance section
2. Government announcements on the 24 May ,10 June, 17 June and 6 July 2010 details of which can be found on the Treasury and the Department for Communities & Local Government websites and Department for Culture, Olympics and Sport websites.
3. Brighton & Hove City Council Budget report, Feb 2010.
4. Cabinet report 17th June 2010 on 2010-11 in-year grant reductions

Appendix 1

2010/11 Area Based Grant reductions

The figures in the following table may not add exactly due to roundings.

Government Department and name of grant	2010/11 Original Grant £'000	2010/11 Revised Grant £'000	Change in grant allocation £'000	% Change
Department of Education (Note 1)				
School Development Grant	1,071			
Extended Schools Start-Up Grants	328			
Primary National Strategy – Central	121			
Secondary National Strategy – Central Co-ordination	146			
Secondary National Strategy – Behaviour and Attendance	68			
School Improvement Partners	77			
Education Health Partnerships	56			
School Travel Advisors	26			
Choice Advisors	30			
School Intervention Grant	49			
14-19 Flexible Funding Pot	59			
Sustainable Travel – General Duty	16			
Extended Rights to Free Transport	162			
Connexions	2,168			
Children's Fund	798			
Child Trust Fund	8			
Positive Activities for Young People	249			
Teenage Pregnancy	151			
Children's Social Care Workforce	83			
Youth Taskforce	150			
Care Matters White Paper	281			
Child Death Review Process	35			
Young Peoples Substance Misuse	30			
Designated Teacher Funding	11			
January Guarantee	27			
Learning & Skills Council Staff Transfer – Special Purpose Grant	396			
Total Education	6,594	5,014	-1,580	-24.0%

Government Department and name of grant	2010/11 Original Grant £'000	2010/11 Revised Grant £'000	Change in grant allocation £'000	% Change
Department for Transport				
Road Safety Grant	396	291	-105	-26.5%
Rural Bus Subsidy	29	29	-	-
Total Transport	424	319	-105	-24.7%
Home Office (Note 4)				
Community Call for Action / Overview Scrutiny Committee	2			
Stronger Safer Communities	312			
Young People Substance Misuse Partnership	71			
Total Home Office	385	355	-30	-7.8%
Department of Communities & Local Government				
Economic Assessment Duty	65	65	-	-
Supporting People Administration (Note 2)	164	0	-164	-100%
Supporting People	11,249	11,249	-	-
Prevent (Note 3)	195	138	-56	-29.1%
Climate Change	23	23	-	-
NI160 STATUS Survey	8	8	-	-
Familiarisation costs of new statutory guidance on social housing allocations	1	1	-	-
Total CLG	11,705	11,485	-220	-1.9%
DEFRA				
	95	95	-	-
There are no changes to any of the DEFRA grants				
Department of Health				
	5,325	5,325	-	-
There are no changes to any of the DoH grants				
Total Area Based Grants	24,529	22,593	-1,935	-7.9%

Note 1: Department for Education (DfE)

The DfE have said that local authorities should manage their reductions locally by giving priority to statutory services and functions along with those services which are most important to the local authority and its residents. To achieve this DfE are not proposing to reduce the allocations which local authorities have received in relation to particular spending lines (within ABG) but will reduce the overall amount each authority receives from the Department through ABG. For each local authority this will mean a reduction of 24% in the total allocation for the year – it is for local authorities to manage the reduction across all their funding sources. Percentage reductions have therefore been applied to the overall ABG allocations across all local authorities.

Note 2: Supporting People Admin

The Government has decided to remove the funding stream for Supporting People Administration for 2010/11 which was designed to support local authorities in establishing dedicated Supporting People teams, at the time of the introduction of the Supporting People Programme. Authorities are expected to have delivered efficiencies in this area, and many have begun to combine Supporting People teams with other social service teams. It should be noted that no reductions have been made to the Supporting People Programme funding stream, and these allocations will continue to be made through the Area Based Grant.

Note 3: Prevent (for preventing violent extremism)

The government has said funding for local authorities to deliver Prevent will still be higher than it was in 2008-09 and 2009-10. Each of the 94 authorities in receipt of Prevent area based grant will have their allocations for this year reduced, on a pro rata basis.

Note 4: Home Office

The Home Office contribution to the overall reduction in grants to local government (excluding proposals for police authorities which the Minister of State for Policing and Criminal Justice announced on 27 May) totals £6m. This will be achieved through a £6 million reduction in the total amount of Area Based Grant provided by the Home Office. The £6m reduction has been applied on a pro-rata basis.

Appendix 2

Reductions in other specific revenue and capital grants

Government Department and name of grant	2010/11 Original Grant £'000	2010/11 Revised Grant £'000	Change in grant allocation £'000	% Change
Revenue Grants				
Department of Communities & Local Government				
Housing and Planning Delivery Grant (Note 1)	120	c.0	c.-120	-100%
Local Authority Business Growth Incentive Scheme (Note 2)	c.172	0	c.-172	-100%
Local Area Agreement Reward	Although reduced nationally the reduction is not expected to have an impact on the current council budget			
Department for Culture, Media and Sport				
Free swimming programme(Note 3)	193	68	-125	-65%
Total Revenue Grants	c.485	68	c.-417	-86%
Capital Grants				
Department for Transport				
Integrated Transport Block	1,651	411	-1,240	-75%
Road Safety Capital Grant	88	0	-88	-100%
Total Capital Grants	1,739	411	-1,328	-76%
Total Area Based Grants in appendix 1	24,529	22,593	-1,935	-7.9%
Total Estimated Reduction			-3,680	

Note 1: Housing and Planning Delivery Grant

This has been abolished in the current year. The intention of HPDG was to act as an incentive to local authorities to bring forward housing and prepare the ground for increased delivery. However, there has been a sustained shortfall in housing development resulting in the lowest level of house building in England since 1946. HPDG has proved an ineffective and excessively complex incentive. The Coalition Agreement set out that the Government will provide incentives for local authorities to deliver sustainable development, including for new homes and businesses.

Note 2: Local Authority Business Growth Incentives

This government says it is committed to promoting business, as the driver of economic growth and innovation. However, the government does not believe that LABGI offers a real incentive to local authorities to promote economic development. The government also believes that many have viewed the scheme as being too complex, unpredictable and potentially unfair. The coalition agreement set out that the government will provide incentives for local authorities to deliver sustainable development, including for new homes and businesses.

Note 3: Free Swimming Grant

The government has decided to end the free swimming programme on 31 July 2010. The government has stated that new research shows this scheme has not delivered value for money and so has decided to end the funding.

Appendix 3

Ring-fences removed from revenue grants in 2010-11

Revenue Grants	Department	B&HCC 2010/11 £'000
Youth Opportunity Fund	DfE	141
Think Family Grant	DfE	939
Challenge and Support Funding	DfE	75
AIDs Support	DH	455
Learning Disability Campus Closure Programme	DH	-
Stroke Strategy	DH	93
Bus Challenge and Kickstart	DfT	-
Animal Health and Welfare Enforcement	DEFRA	-
Waste Management Pilots	DEFRA	-

Ring-fences removed from capital grants in 2010-11

Capital Grant	Department	B&HCC allocation 2010/11 £'000
Fair Play Pathfinders	DfE	-
Fair Play Playbuilders	DfE	598
Innovation in Extracare Housing Grant	DH	-
Capital Investment for Transformation in Adult Social Care Grant	DH	150
AIDS/HIV	DH	-
Common Assessment Framework	DH	-
Social Care IT Infrastructure	DH	84
Detrunking	DfT	-
Major Projects	DfT	-
NEXUS (Tyne and Wear Metro)	DfT	-
Green Bus Fund	DfT	-
Flood and Coastal Erosion Risk Management	DEFRA	-
Coastal Change Pathfinders	DEFRA	-
Contaminated Land	DEFRA	-
Housing Market Renewal	CLG	-